

29 October 2020

Trading update

Freightways Limited ("Freightways") is providing an update on trading conditions during the first quarter of its Financial year 2021.

Trading

The onset of the COVID-19 pandemic, and the first lockdowns in New Zealand and Australia had initially led to a sharp decline of revenue across the Group in April. Freightways later reported that Express Package volumes in New Zealand had recovered by the end of the 2020 Financial Year. Activity has been strong during the first quarter of the 2021 Financial Year, with revenue increasing by 35% compared to the same period last year to \$211.7m, and EBITA increasing by 49% compared to last year, to \$34.8m. NPAT was 43% higher than the first quarter of the last financial year, at \$19.2m. It should be noted that the first quarter of the last financial year was relatively soft, with low levels of organic growth. These results also include Big Chill Distribution which did not form part of the Freightways group in the 2020 Financial Year as well as the impact of one extra week in Q1 FY21 compared to Q1 FY20 (as a result of the 4-4-5 week accounting calendar that Freightways uses). The impact of the extra week is \$12.4m of Revenue and \$2.1m of EBITA.

Express Package and Business Mail (EP&BM)¹:

Volume continues to trade well ahead of the same period last year, reflecting an increase in the number of companies now providing an online offering, as well as market share gains across the division. Overall revenue across the division (which includes Big Chill) was up 46% against the same period last year, at \$168m. Margins have improved through more efficient operating practices and the return of a small margin on residential deliveries to the extent that EP&BM EBITA was 56% ahead of the same period last year, at \$27.3m.

Information Management (IM):

The IM businesses in New Zealand and Australia generally remain impacted by some of the trends linked to the COVID-19 pandemic, and particularly the fact that many companies across New Zealand and Australia still have part of their workforce working from home. Where COVID-19 related restrictions have been eased we have seen an improvement in activity albeit still slightly down on pre-COVID periods. Medical waste operations in Australia have experienced significant growth although we expect this to moderate as the situation in Victoria improves. Overall, revenue is 5% higher than the same quarter last year at \$43.8m. New activity, be it in digitisation or medical waste, together with effective cost control have led to an improvement in margins in Q1 FY21, with EBITA up 33% to \$7.9m.

People

The safety of our people, both employees and contractors, remains our utmost priority. Freightways continues to implement strict health & safety protocols to provide a safe working environment for all operations.

Outlook

Whilst we are encouraged by the strong trading results achieved in the first quarter of FY21, which reflect improved margin, organic growth and market share gains in our businesses, the future economic environment remains highly uncertain. We expect that:

- In Express Package, volume will be impacted by any slow down in macro-economic activity;
- In Information Management, whilst storage revenues are resilient, activity-based revenue recovery will be dependent on the number of people returning to offices, especially in Victoria.

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¹ Divisional results do not include the impact of lease accounting under IFRS16. A reconciliation with GAAP numbers can be found in the ASM presentation